



NORTH DAKOTA DEVELOPMENT FUND

ANNUAL REPORT 2017

SUPPORTING BUSINESS GROWTH THROUGH FINANCING AND INVESTMENT

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Doug Burgum
Governor



Jay Schuler, Commissioner
ND Department of Commerce

Development Fund Board Members

The Governor appoints an eight-member board of directors that oversees the North Dakota Development Fund. Each member represents a different business sector from the state.

John Erickson - Grand Forks
Chairman
Finance Sector

Gary Goplen - Fargo
Vice Chairman
Finance Sector

Darcy Volk - Bismarck
Secretary/Treasurer
Industrial Technology & Research Sector

Pat Murphy - Williston
Private Sector

Terri Zimmerman - Fargo
Industrial Technology & Research Sector

Jim Albrecht - Wahpeton
Manufacturing/Rural Sector

Scott Davis - Mandan
Native American Sector

Jay Schuler - Bismarck
Commissioner of North Dakota
Department of Commerce

"The Development Fund offers the financing resources needed to help support business startups and expansion projects that create jobs, while also providing taxpayers with a strong return on investment. Businesses in need of equity financing can look to the Development Fund as a possible solution. As a past business owner, the North Dakota Development Fund was a valuable tool in developing our strategies for growth."

– Jay Schuler, Commissioner

Development Fund Staff

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A Tool for Economic Development

The North Dakota Development Fund was created through legislation in 1991 as an economic development tool. It provides flexible gap financing through debt and equity investments for new or expanding North Dakota primary sector businesses.

The Development Fund makes investments of up to \$1,000,000. The board of directors may adjust the limit when deemed appropriate. In general, the following criteria apply to Development Fund investments:

- The entrepreneur must have a realistic financial commitment at stake. Usually, principals are required to have a minimum of 15 percent equity in the project.
- Refinancing of debt is not eligible.
- Principal shareholders with 20 percent or greater ownership are generally required to guarantee the debt. Other shareholders may also be required to guarantee.
- The Development Fund will not participate in more than 50 percent of a project's capitalization needs.
- Financing is available to any primary sector business project with the exception of production agriculture.
- Primary sector includes individuals and businesses which, through the employment of knowledge or labor, add value to a product, process or service which results in the creation of new wealth. Primary sector includes tourism and specific types of investor-owned agriculture, and is typically businesses such as manufacturers, food processors or export service companies. Investor-owned agriculture includes livestock feeding or milking operations, or other value-added agriculture located apart from an individual farm operation that is professionally managed and has employees.



The North Dakota Development Fund offers financing to any primary sector business project with the exception of production agriculture.

Loan and equity programs managed by the North Dakota Development Fund include:

- North Dakota Development Fund
- Regional Rural Revolving Loan Fund
- Rural Incentive Growth Loan Program
- Small Business Technology Program
- Child Care Loan Program
- New Venture Capital Program



The North Dakota Development Fund manages the Child Care Loan Program, helping expand child care opportunities throughout the state.



Dean Reese, CEO
North Dakota Development Fund

Letter from the CEO

The Development Fund invested \$5,123,875 in 23 primary sector and child care businesses from July 1, 2016 to June 30, 2017. The Development Fund has provided gap financing in which the Fund's investments, since inception, have reached \$119 million.

With the Development Fund's dollars invested, there has been \$29,565,187 leveraged from other financing institutions resulting in a \$5.35 to 1 ratio – for every Development Fund dollar invested \$5.35 was invested from other sources.

The investments made by the Development Fund in 2016 to 2017 contributed to the projected creation of 127 jobs in the primary and child care sector.

The Development Fund reported an estimated June 30, 2017 fiscal year-end operating income of \$201,585 before bad debt expense, as compared to \$428,598 for the fiscal year-end 2016. The decrease in income is attributable to a decrease in dividend income and other income in 2017 as compared to 2016. The Fund saw a increase in general and administrative expenses of \$6,385 from 2016 to 2017. The Development Fund continues to pay all costs of operating the Fund including salaries and benefits. The cash flow generated from principal and interest collections continues to be strong at \$4.6 million. The Development Fund continues to be a revolving loan fund as the Fund has collected \$7.2 million the past two years, which in turn can be used for future loan and equity investments.

Operating income (loss) before nonoperating revenues (expense) increased by \$1,671,475 from \$1,607,757 in 2016 to \$63,718 in 2017. The increase in operating income was due mainly to a decrease in the allocation to bad debt expense in 2017 as compared to the prior year of 2016.

Since the inception of the Fund, it has invested \$119 million in 599 companies with over \$39.6 million invested in rural communities. The investments made by the Fund have contributed to the projected creation of 11,174 primary sector jobs. The Development Fund helped 11 start-up businesses begin operations in North Dakota in 2016 to 2017. Of the 11 start-up businesses, two were in rural communities.

In providing flexible financing, the Development Fund helped primary sector businesses and child care businesses start-up or expand, which in turn created new jobs and generated new revenues. What follows are highlights of 2017 along with the accompanying financial statements.

A handwritten signature in black ink that reads "D. T. Reese". The signature is written in a cursive style with a large, looping initial "D".

Dean Reese, CEO
North Dakota Development Fund

Investments made by
the Fund have contributed
to the projected creation
of 11,147 primary
sector jobs.

North Dakota Development Fund:

By the Numbers

Development
Fund inception:

1991



\$5.35:\$1

return on investment

11,174 primary
sector jobs created
since fund inception



599

COMPANIES

Investing in **599**
North Dakota companies
since inception

Business sectors include:



Technology



Value-Added
Agriculture



Tourism



Manufacturing



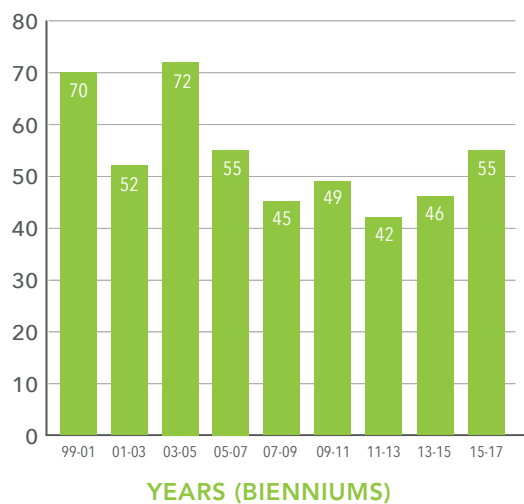
Child Care

Development Fund Investment Locations

July 1, 2016 to June 30, 2017



Number of
Development Fund Projects



The Development Fund invested in 55 projects from 2015-2017.

Development Fund Cash Flow



The Development Fund collected \$8.7 million from 2015-2017. It has averaged \$4.9 million in collections in the past nine years. The Development Fund continues to revolve and the funds collected continue to be used to fund future loan and equity investments in the state.

Development Fund Projects

July 1, 2016 to June 30, 2017

Development Fund

Advanced Business Solutions dba Profit Pros	Fargo	\$100,000
Botlink, LLC	Fargo	\$500,000
CoSchedule, LLC	Bismarck	\$600,000
FarmQA, Inc.	Fargo	\$450,000
Ideal Aerosmith, Inc.	Grand Forks	\$600,000
Lillestol Research, LLC	Fargo	\$150,000
MAMA MIA, Inc.	Fargo	\$150,000
Premier Refinery, LLC	Jamestown	\$50,000
Red River BioRefinery, LLC	Grand Forks	\$175,000
Skid-Lift, LLC	Fargo	\$222,875
SkySkopes, Inc.	Grand Forks	\$75,000
ZulaFly, LLC	Fargo	\$175,000

Regional Rural Revolving Loan Fund

Dan's Tank Company, Inc.	Berthold	\$250,000
Heimbuch Potatoes, LLC	Cogswell	\$300,000
Plains Mobile, Inc.	Linton	\$200,000
TSR Parts, LLC	Colgate	\$150,000
Valley City-Barnes County Development Corp.	Valley City	\$500,000

Child Care Loans

A Step Ahead Learning Center, Inc.	Fargo	\$100,000
Bright Futures Learning, LLC	Fargo	\$100,000
Just Kidding Childcare Center, LLC	Valley City	\$100,000
Kennedy Grensteiner dba Child's Garden	Mandan	\$46,000
Tiny Tykes, Inc.	Wahpeton	\$100,000
Wallgren Morehouse, Inc. dba Tot Spot	Hillsboro	\$30,000

Total: \$5,123,875

Skid-Lift – Fargo

DEVELOPMENT FUND

It all started with scaffolding. Fifteen years ago, Paul Wick was working part-time on a construction crew and becoming increasingly frustrated with the amount of time it took to move scaffolding over uneven terrain while working around buildings. Eyeing a skid steer at the construction site, Wick figured there had to be a way to use the machine with a lift to improve both job efficiency and safety. He proposed his idea to Guy Nelson, president and founder of Fargo-based Anvil Design and Manufacturing, and the pair shared design ideas on and off for several years.

Eventually, Nelson decided to get serious about their concept and subsequently devoted an entire Christmas holiday to honing their design. The result? A product that could pair the advantage of a scissor lift with the flexibility and hydraulic system of a skid steer. Over the next several

months, while maintaining their day jobs, Wick and Nelson fine-tuned the design they came to call Skid-Lift. The duo agreed to a 50/50 ownership of the company and secured a provisional patent for their product. Now, they needed funding.

At first, Wick and Nelson turned to private investors for seed money for their initial production run. “We built the first eight units, sold them and paid off [our] debts ... it was real bootstrapping,” explains Nelson. As the business partners continued to look for ways to fund their growth, Bank Forward introduced them to the North Dakota Development Fund.

“The Development Fund is a resource that, quite honestly, we had no clue about,” says Nelson. “Once we got on the path of working with the Development Fund - and getting some capital and being able to use

the low interest and the buy-down – it worked really great for us.”

Thus far, business is good. Skid-Lift has expanded to eight employees, with Wick now working full-time for the company. The business is housed in the same building as Nelson’s Anvil Design and Manufacturing business, enabling the companies to share not just real estate and equipment, but also contracting work. The Development Fund has been – and will be – a key component to Skid-Lift’s growth, according to Nelson. “We are still using that capital money as a line of credit as we continue to improve our design and marketing [plans] to move the business forward,” adds Wick. “We have increased the product line from one model of lift to three since the Development Fund[ing] took place.”



“Once we got on the path of working with the Development Fund – it worked really great for us.”

– Guy Nelson, CEO, Skid-Lift

Tiny Tykes – Wahpeton

CHILD CARE LOANS

It didn't take long for new daycare owners Justin and Jamie Neppl to realize they were going to rapidly outgrow the Wahpeton child care center they purchased in 2005. In fact, they grew out of that first center in less than two years. And the day they opened the doors at their new Tiny Tykes location – a building that could facilitate 50 children – they were already at capacity.

As demand for childcare in Wahpeton continued to climb, the Neppls looked for ways to meet the need. In September of 2016, the couple decided to take a major leap and build a brand new child care center. The building would triple their space and double their capacity for children.

The North Dakota Development Fund was used in the construction process for the new state-of-the-art, 10,000 square-foot facility. "It was a significant project for a business our size and we had never taken on debt like that," says Justin Neppl. "The Child Care Development Fund loan was a key component in the financing package to get our doors open here in Wahpeton, especially because child care centers are so capital-intensive to build." State regulations mandate a minimum of 35 square feet of usable space per child, which does not include bathrooms, kitchens and gymnasiums. From a real estate perspective, these requirements translate to needing about twice the amount of space to cover what is needed per child.

"We wouldn't have been able to add new child care spots and ... offer a quality facility [of this size] in this corner of the state if it wasn't for entities like the Department of Commerce and the Development Fund," says Neppl. "Tiny Tykes opened its doors on May 15, 2017 and we have been steadily growing ever since, with our numbers eclipsing our projections ... which is a good thing."



"The Child Care Development Fund loan was a key component in the financing package to get our doors open here in Wahpeton, especially because child care centers are so capital-intensive to build."

– Jamie Neppl, Owner, Tiny Tykes

Dan's Tank Company, Inc. – Berthold

REGIONAL RURAL REVOLVING LOAN FUND

Dan Conlin founded and incorporated Dan's Tank Company in 2012 in a 9,600 square-foot walkway shop in response to growing demands from the booming oil industry in western North Dakota. The company designs and manufactures a range of oil field equipment, including but not limited to barrel tanks, fiberglass tanks, containment systems, and vertical and horizontal treaters and parts. Today, the business has expanded to a 36,000 square-foot tank and walkway production facility and is regarded as an industry leader in the oil tank manufacturing business. The new, state-of-the-art manufacturing plant

is based in Berthold where the company produces 100 to 1,000 oil-barrel storage tanks. Dan's Tank Company now also manufactures access systems such as stairways, walkways and walkovers to allow for regular monitoring and maintenance on tanks and tank batteries.

As his business opportunities increased, Conlin needed to find capital in his efforts to meet the demands of the oil industry. "We used the North Dakota Development Fund as a [means] to purchase and set up new equipment so that we could expand and get started on building more tanks,"

says Conlin. "Now, I need to expand [even] more."

Conlin acknowledges that it was the Development Fund that enabled him to timely meet the demands for oilfield services out west, and says he is grateful that such a resource exists in North Dakota. He explains that because demand is now increasing so rapidly, he needs to find more sources for capital. "The oilfield is back and we're really starting to get busy – very busy – out there."



"We used the North Dakota Development Fund as a [means] to purchase and set up new equipment so that we could expand and get started on building more tanks."

– Dan Conlin, Owner, Dan's Tank Company, Inc.



Independent Auditor's Report

Governor of North Dakota
The Legislative Assembly

Board of Directors
North Dakota Development Fund, Inc.
Bismarck, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of North Dakota Development Fund, Inc., a component unit of the state of North Dakota, as of June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Development Fund's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North Dakota Development Fund, Inc. as of June 30, 2017 and 2016, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the North Dakota Development Fund, Inc. are intended to present the financial position and the change in financial position of only that portion that is attributable to the transactions of the North Dakota Development Fund, Inc. They do not purport to, and do not, present fairly the financial position of the State of North Dakota as of June 30, 2017 and 2016, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 16 through 19 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The combining financial statements shown on pages 33 through 36 are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated November 15, 2017 on our consideration of North Dakota Development Fund, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North Dakota Development Fund, Inc.'s internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Bismarck, North Dakota
November 15, 2017

North Dakota Development Fund, Inc.
Management's Discussion and Analysis
June 30, 2017 and 2016

The discussion and analysis of the financial performance of the North Dakota Development Fund, Inc. that follows is meant to provide additional insight into the Development Fund's activities for the year ended June 30, 2017. Please read it in conjunction with the Development Fund's financial statements and footnotes, which are presented within this report.

Financial Highlights

Total revenue decreased by \$213,082 (22.23%) to \$745,388. Operating revenues increased by \$220,628 (23.51%) to \$717,849. Cash flow increased by \$1,499,038 (10.43%) to \$15,872,965. The Development Fund collected \$4,601,184 in principal payments in 2017, which was an increase of \$2,695,743 (141.48%) from 2016. The decrease in total and in operating revenue is attributable to a decrease in dividend income received from investments and a decrease in other income. The increase in total principal funds collected was attributable to the Development Fund receiving additional payout of loans on the books of the North Dakota Development Fund as compared to 2016.

The Development Fund received no dividend payments in 2017 from equity investments made, which is a decrease from the \$170,456 received in dividend payments in 2016.

General and administrative expense increased by \$6,385 (1.26%) from \$507,501 in 2016 to \$513,886 in 2017. The increase was attributable to overall general increased costs of operations compared to 2016.

Operating income (loss) before non-operating revenues & expenses increased by \$1,671,476 from \$(1,607,758) in 2016 to \$63,718 in 2017. The increase in the operating income (loss) in 2017 was attributable to a decrease in reserve for bad debt expense.

Interest income on deposits increased by \$7,546 (37.74%) from \$19,993 received in 2016 to \$27,539 received in 2017. The increase was the result of larger balances carried at the Bank of North Dakota along with investing the excess funds not required to be funded into projects in certificate of deposits ranging in maturity terms of 1 to 2 years, which are at a higher rate of return than a regular savings account.

The change in net position increased by \$1,678,021 from \$(1,587,764) in 2016 to \$91,257 in 2017. The increase was attributable to the North Dakota Development Fund allocating less funds to bad debt expense due to improved risk ratings in the loan and investment activity funded.

Net position increased by \$91,257 from \$24,676,540 in 2016 to \$24,767,797 in 2017. The increase was attributable to the reduced reserves of new loan and equity investments.

Noncurrent net assets (excluding equipment) decreased by \$417,360 from \$3,830,579 in 2016 to \$3,434,963 in 2017. The noncurrent assets consist of the Development Fund's loan and equity investments. The equity investments decreased by \$416,402 from \$3,509,650 in 2016 to \$3,093,248 in 2017. The equity investments that were charged off during 2016 and 2017 were \$0. The loan investments made decreased by \$1,233,205 from \$16,613,695 in 2016 to \$15,380,490 in 2017. The loan investments that were charged off during 2017 were \$378,375 as compared to \$78,046 in 2016. The decrease was attributable to the amount of write-offs in 2016 to 2017 along with the increased payout of loans and equity investments, in addition to the regular pay down of loans.

North Dakota Development Fund, Inc.
Management's Discussion and Analysis
June 30, 2017

Interest receivable on deposits & loans increased by \$5,602 to \$71,133. The increase in the receivable in 2016 is due to the increase in loan write-offs and an increase in loans placed on non-accrual at year-end.

Current portion of loans receivable decreased from \$6,423,022 in 2016 to \$5,409,541 in 2017. The decrease is attributable to additional loans having payments due in the upcoming year.

Cash and cash equivalents increased by \$1,499,038 (10.43%) to \$15,872,965 (cash balance is before loan and investment commitments). The increase in cash and cash equivalents was attributable to increased loan payouts and payments made during the year.

The Development Fund does invest their excess funds into longer term deposits for a higher rate of return to coincide with the funding commitments made by the Development Fund to companies for loans and equity investments, which are not required to be funded in the short-term. But, due to the low rate of interest being offered on certificate of deposits on a longer term, the North Dakota Development Fund has kept the excess funding liquid in saving accounts and putting the funds to work in loan and equity investments to "Primary Sector" businesses in the State of North Dakota.

27 projects were funded totaling \$5,123,875.

Required Financial Statements

The discussion and analysis are intended to serve as an introduction to the Development Fund's financial statements. The financial statements of the Development Fund provide accounting information similar to that of many other business entities. The Balance Sheet summarizes the assets and liabilities, with the difference between the two reported as net position. It also serves as a basis for analysis of the soundness and liquidity of the Development Fund. The statement of Revenues, Expenses and Changes in Net position summarize the Development Fund's operating performance for the year. The statements of Cash Flows summarize the flow of cash through the Development Fund as it conducts its business.

North Dakota Development Fund, Inc.
Management's Discussion and Analysis
June 30, 2017

Condensed Balance Sheet
June 30, 2017 and 2016, and 2015

Assets	2017	2016	2015
Current assets	\$ 21,149,766	\$ 20,862,480	\$ 22,813,575
Capital assets	8,494	10,872	13,249
Noncurrent assets	3,638,836	3,830,579	3,461,675
Total noncurrent assets	3,647,330	3,841,451	3,474,924
Total assets	<u>\$ 24,797,096</u>	<u>\$ 24,703,931</u>	<u>\$ 26,288,499</u>
Liabilities and Net Position			
Current liabilities	\$ 29,299	\$ 27,391	\$ 24,195
Invested in capital assets, net of related debt	8,494	10,872	13,249
Unrestricted	24,759,303	24,665,668	26,251,055
Total net position	24,767,797	24,676,540	26,264,304
Total liabilities and net position	<u>\$ 24,797,096</u>	<u>\$ 24,703,931</u>	<u>\$ 26,288,499</u>

Cash and Cash Equivalents

Cash and cash equivalents consist of cash deposits with the Bank of North Dakota and are included in the current assets section of the balance sheet. Additional discussion of cash and cash equivalents can be found in Note 2 to the financial statements.

Equity Investments

Equity investments consist of capital investments in new or expanding primary sector businesses in or relocating to North Dakota and are included in noncurrent assets. Additional discussion of equity investments can be found in Notes 4 and 5 to the financial statements.

Loans Receivable

Loans receivable consist of loans to new or expanding primary sector businesses in or relocating to North Dakota and are included in current and noncurrent assets in the balance sheet. Additional analysis of loans receivable can be found in Notes 6 and 7.

North Dakota Development Fund, Inc.
Management's Discussion and Analysis
June 30, 2017

**Condensed Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2017 and 2016, and 2015**

	2017	2016	2015
Operating Revenues			
Interest income on loans	\$ 642,799	\$ 590,110	\$ 524,913
Dividend income	-	170,455	166,554
Gain on sale of investment	863	13,781	-
Other	74,187	164,131	63,679
	<u>717,849</u>	<u>938,477</u>	<u>755,146</u>
Nonoperating Revenue			
Interest income on deposits	27,539	19,993	7,284
	<u>27,539</u>	<u>19,993</u>	<u>7,284</u>
Total Revenue	<u>745,388</u>	<u>958,470</u>	<u>762,430</u>
Operating Expenses			
General and administrative	513,886	507,501	430,089
Depreciation expense	2,378	2,379	2,378
Bad debt expense	137,867	2,036,355	135,832
	<u>654,131</u>	<u>2,546,235</u>	<u>568,299</u>
State appropriations released from restriction	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Position	91,257	(1,587,764)	194,130
Net Position, Beginning of Year	<u>24,676,540</u>	<u>26,264,304</u>	<u>26,070,174</u>
Net Position, End of Year	<u>\$ 24,767,797</u>	<u>\$ 24,676,540</u>	<u>\$ 26,264,304</u>

Contacting the North Dakota Development Fund's Financial Management

The information in this report is intended to provide the reader with an overview of the Development Fund's accountability for those operations. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the North Dakota Development Fund, PO Box 2057, Bismarck, ND 58502-2057.

North Dakota Development Fund, Inc.

Balance Sheets

June 30, 2017 and 2016

	2017	2016
Assets		
Current Assets		
Cash and cash equivalents	\$ 15,872,965	\$ 14,373,927
Interest receivable on deposits and loans	71,133	65,531
Current portion of loans receivable	5,205,668	6,423,022
Total Current Assets	21,149,766	20,862,480
Noncurrent Assets		
Loans receivable, net of current portion & allowance	3,084,592	3,433,158
Investments, net	554,244	397,421
Equipment, net	8,494	10,872
Total noncurrent assets	3,647,330	3,841,451
Total Assets	\$ 24,797,096	\$ 24,703,931
Liabilities and Net Position		
Current Liabilities		
Accrued expenses	\$ 29,299	\$ 27,391
Total Current Liabilities	29,299	27,391
Net Position		
Invested in capital assets	8,494	10,872
Unrestricted	24,759,303	24,665,668
Total Net Position	24,767,797	24,676,540
Total Liabilities and Net Position	\$ 24,797,096	\$ 24,703,931

North Dakota Development Fund, Inc.
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2017 and 2016

	2017	2016
Operating Revenues		
Interest income on loans	\$ 642,799	\$ 590,110
Dividend income	-	170,456
Gain on sale of investment	863	13,781
Other	74,187	164,131
	<u>717,849</u>	<u>938,478</u>
Operating Expenses		
General and administrative	513,886	507,501
Depreciation expense	2,378	2,379
Bad debt expense (change in allowance)	137,867	2,036,355
	<u>654,131</u>	<u>2,546,235</u>
Operating Income (Loss)	<u>63,718</u>	<u>(1,607,757)</u>
Nonoperating Revenue		
Interest income on deposits and investments	27,539	19,993
	<u>27,539</u>	<u>19,993</u>
State appropriations released from restriction	<u>-</u>	<u>-</u>
Change in Net Position	91,257	(1,587,764)
Net Position, Beginning of Year	<u>24,676,540</u>	<u>26,264,304</u>
Net Position, End of Year	<u>\$ 24,767,797</u>	<u>\$ 24,676,540</u>

North Dakota Development Fund, Inc.
Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating Activities		
Other receipts	\$ 75,913	\$ 191,928
Payments to suppliers	(511,978)	(504,305)
Net Cash used for Operating Activities	<u>(436,065)</u>	<u>(312,377)</u>
Investing Activities		
Interest received on cash and cash equivalents	664,736	753,547
Purchase of equity investments	(1,106,699)	(428,932)
Proceeds from the sale of equity investments	711,457	(221,823)
Disbursements of business loans	(2,935,575)	(5,238,052)
Principal payments received on business loans	4,601,184	1,905,441
Net Cash provided by (used for) Investing Activities	<u>1,935,103</u>	<u>(3,229,819)</u>
Net Change in Cash and Cash Equivalents	1,499,038	(3,542,196)
Cash and Cash Equivalents at Beginning of Year	<u>14,373,927</u>	<u>17,916,123</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 15,872,965</u></u>	<u><u>\$ 14,373,927</u></u>
Reconciliation of Operating Income (Loss) to Net Cash		
Provided by Operating Activities		
Operating income (loss)	\$ 63,718	\$ (1,607,757)
Adjustments to reconcile operating		
income to net cash used for operating activities		
Gain on sale of investment	864	13,782
Depreciation	2,378	2,377
Allowance for doubtful loan receivables	(99,689)	1,722,038
Allowance for realized loss on investments	237,556	314,553
Reclassification of interest and dividend income	(642,799)	(760,565)
Changes in assets and liabilities		
Accrued expenses	1,907	3,195
Net Cash used for Operating Activities	<u><u>\$ (436,065)</u></u>	<u><u>\$ (312,377)</u></u>
Supplemental Schedule of Noncash Activities		
Loans receivable written off	\$ 378,375	\$ 78,046

North Dakota Development Fund, Inc.

Notes to Financial Statements

June 30, 2017 and 2016

Note 1 - Summary of Significant Accounting Policies**Organization and Nature of Activities**

The North Dakota Development Fund, Inc. (the Corporation) was established pursuant to Chapter 10-30.3 of the North Dakota Century Code as amended by the passage of Senate Bill 2058 during the 1991 legislative session. The Corporation is a statewide nonprofit development corporation with the authority to take equity positions in; to provide loans to; or to use other innovative financing mechanisms to provide capital for new or expanding primary sector businesses in North Dakota or relocating to North Dakota.

The Corporation uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain corporate functions or activities.

The following activities are used by the Corporation:

North Dakota Development Fund

The North Dakota Development Fund is used to account for fund investments, including equity positions, loans, loan guarantees, and other innovative financing mechanisms for new or expanding primary sector businesses in North Dakota or relocating to North Dakota.

Regional Rural Revolving Loan Fund

The Regional Rural Revolving Loan Fund is used to account for fund investments including equity positions, loans, loan guarantees, or debt financing on a matching basis to new or expanding primary sector businesses in rural areas.

Small Business Technology Program

The Small Business program is used to provide matching investments to startup technology-based businesses.

Child Care Loan Program

The Child Care Loan Program is used to account for fund investments including loans and loan guarantees for new or expanding child care facilities in North Dakota.

The new venture capital program may form additional corporations, partnerships or other forms of business associations in order to further its mission.

The Director of the Department of Commerce Division of the Economic Development and Finance shall appoint the Chief Executive Officer of the Corporation. All investments, contracts, partnerships, limited liability companies, and business transactions of the Corporation are the responsibility of the Chief Executive Officer and the eight-member Board of Directors, who are appointed by the Governor.

North Dakota Development Fund, Inc.
Notes to Financial Statements
June 30, 2017 and 2016

Reporting Entity

In accordance with Governmental Accounting Standards Board (GASB) Statements, the Corporation should include all component units over which the Corporation exercises such aspects as (1) appointing a voting majority of an organization's governing body and (2) has the ability to impose its will on that organization or (3) the potential for the organization to provide specific financial benefits to, or impose specific burdens on the Corporation. GASB further defined reporting units as a legally separate, tax exempt affiliated organization that meet all of the following criteria:

- The economic resources of the organization entirely or almost entirely directly benefit the Corporation or its constituents, and
- The Corporation or its component units are entitled to or can otherwise access, a majority of the economic resources of the organization, and
- The economic resources that the Corporation is entitled to, or can otherwise access, are significant to the Corporation.

Based upon criteria set forth in GASB, no organizations were determined to be part of the reporting entity. The Corporation is included as part of the primary government of the State of North Dakota's reporting entity.

Basis of Accounting

The Corporation is presented in the accompanying financial statements as a proprietary fund type – an enterprise fund.

An enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that costs of providing goods or services to the general public or other funds on a continuing basis be financed or recovered primarily through user charges. The Corporation operates primarily with appropriations from the general fund.

As a proprietary fund type, the Corporation accounts for its transactions using the accrual basis of accounting. Revenues are recognized for its transactions when they are earned, and expenses are recognized when they are incurred.

Revenue and Expense Recognition

The Corporation presents its revenues and expenses as operating or non-operating based on recognition definitions from GASB. Operating activities are those activities that are necessary and essential to the mission of the Corporation. Operating revenues include all charges to customers, research contracts and grants, dividends earned on equity investments and interest earned on loans. Revenues from non-exchange transactions and state appropriations that represent subsidies or gifts to the Corporation, as well as investment income, are considered non-operating since these are either investing, capital or noncapital financing activities. Operating expenses are all expense transactions incurred other than those related to investing, capital or noncapital financing activities. Revenues received for capital financing activities, as well as related expenses, are considered neither operating nor non-operating activities and are presented after non-operating activities on the accompanying Statement of Revenues, Expenses, and Changes in Net Position.

North Dakota Development Fund, Inc.
Notes to Financial Statements
June 30, 2017 and 2016

Concentration of Credit Risk

Loans receivable consist primarily of loans to new or expanding businesses in North Dakota or relocating businesses to North Dakota. The Corporation performs credit evaluations and maintains a security interest until related loans are collected.

Cash Equivalents

The Corporation considers all highly liquid investments purchased with maturity of three months or less to be cash equivalents.

Investments

Investments are reported at fair value. All investment income, including changes in the fair value of investments, is recognized in the statement of revenue, expenses, and changes in fund net position.

Equity Investments

The Corporation records its equity investments at cost adjusted for other than temporary impairment as determined by the Board of Directors. The other than temporary impairment of equity investments is included in fund equity. Realization of the carrying value of these investments is subject to future developments inherent in such investments (see Note 4).

Among the factors considered in determining whether an other than temporary impairment of an investment has occurred are the cost of the investment, development since the acquisition of the investment, the financial condition and operating results of the issuer, the long-term potential of the business of the issuer, and other factors generally pertinent to the valuation of investments. The Development Fund has relied on financial data of investees and, in many instances, on estimates by the management company and of the investee company as to the potential effect of future developments.

Expense Allocation

The Development Fund pays all expenses of the Corporation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near-term relate to the determination of the allowance for loan losses and valuation of equity investments.

North Dakota Development Fund, Inc.
Notes to Financial Statements
June 30, 2017 and 2016

Fixed Assets and Depreciation

All fixed assets are recorded in the accompanying financial statements at cost. Donated fixed assets are stated at fair market value at the time of donation. Equipment with a cost greater than \$5,000 is capitalized and reported in the accompanying financial statements. The Corporation's fixed assets are being depreciated on a straight-line basis over estimated useful life of 8 years.

Loans

Loans are reported at their outstanding unpaid principal adjusted for charge-offs and the allowance for loan losses.

Interest income is accrued on the unpaid principal balance. The accrual of interest on loans is discontinued at the time the loan is 90 to 120 days delinquent unless the credit is well secured and in process of collection. Loans are placed on non-accrual or charged-off at an earlier date if collection of principal or interest is doubtful. All current year interest accrued but not collected for loans that are placed on non-accrual or charged off is reversed against interest income. All prior year interest accrued but not collected is charged-off against the allowance for loan losses. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all principal and interest amounts contractually due are brought current and future payments are reasonably assured.

The Corporation has determined that the accounting for nonrefundable fees and costs associated with originating or acquiring loans does not have a material effect on their financial statements. As such, these fees and costs have been recognized during the period they are collected and incurred, respectively.

Allowance for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to a recovery account.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

A loan is considered impaired when, based on current information and events, it is probable that the Corporation will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent. The Corporation separately identifies individual loans for impairment disclosures by rating them on a scale of 1 to 6.

North Dakota Development Fund, Inc.
Notes to Financial Statements
June 30, 2017 and 2016

Subsequent Events

The Development Fund has evaluated subsequent events through November 15, 2017, the date the financial statements were available to be issued.

Note 2 - Deposits

The Corporation is required to maintain its deposits at the Bank of North Dakota (a related party). As of June 30, 2017, the Corporation had the following:

	Fair Value	Less Than One Year
Cash		
Bank of North Dakota	\$ 15,872,965	\$ 15,872,965

As of June 30, 2016, the Corporation had the following:

	Fair Value	Less Than One Year
Cash		
Bank of North Dakota	\$ 14,373,927	\$ 14,373,927

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of investments will adversely affect the fair value of the investments.

Custodial and Concentration of Credit Risk

For deposits and investments, the custodial credit risk that, in the event of the failure of a depository financial institution, the Corporation will not be able to recover collateral securities that are in possession of an outside party. The Corporation's deposits are uncollateralized. All of the Corporation's deposits are with the Bank of North Dakota.

North Dakota Development Fund, Inc.
Notes to Financial Statements
June 30, 2017 and 2016

Note 3 - Interest Receivable

Interest receivable at June 30, 2017 and 2016 is as follows:

	2017	2016
Interest receivable from loans	\$ 71,133	\$ 65,531
	<u>\$ 71,133</u>	<u>\$ 65,531</u>

Note 4 - Equity Investments

Equity investments in business concerns as of June 30, 2017 and 2016 are as follows:

	2017	2016
North Dakota Development Fund	\$ 2,448,206	\$ 2,232,788
Regional Rural Revolving Loan Fund Valuation	645,042	1,276,862
	<u>3,093,248</u>	<u>3,509,650</u>
allowance - Other than temporary impairment	<u>(2,539,004)</u>	<u>(3,112,229)</u>
	<u>\$ 554,244</u>	<u>\$ 397,421</u>

Among the factors considered in determining whether an other than temporary impairment of an investment has occurred are the cost of the investment, development since the acquisition of the investment, the financial condition and operating results of the issuer, the long-term potential of the business of the issuer, and other factors generally pertinent to the valuation of investments. The Development Fund has relied on financial data of investees and, in many instances, on estimates by the management company and of the investee company as to the potential effect of future developments.

The Corporation acquired its investment by direct purchase from the issuer under investment representations, and the Board of Directors valued the securities on the premise that they may not be sold without registration under the Securities Act of 1933. The price of securities purchased was determined by direct negotiation between the Corporation and the seller.

North Dakota Development Fund, Inc.
Notes to Financial Statements
June 30, 2017 and 2016

Note 5 - Equity Investments – Valuation Allowance

Changes in the valuation allowance for equity investments as of June 30, 2017 and 2016 are as follows:

	2017	2016
Balance, beginning of year	\$ 3,112,229	\$ 3,001,122
Provision for equity investment losses	237,556	314,553
Transfers	(810,781)	(203,446)
Equity investments charged off	-	-
	<u>\$ 2,539,004</u>	<u>\$ 3,112,229</u>

Note 6 - Loans Receivable

Loans receivable at June 30, 2017 and 2016 are as follows:

	2017	2016
North Dakota Development Fund	\$ 9,101,039	\$ 8,674,510
Regional Rural Revolving Loan Fund	5,174,006	6,861,394
Small Business Technology Fund	50,000	50,000
Child Care Loan Program	1,055,445	1,027,791
	<u>15,380,490</u>	<u>16,613,695</u>
Allowance for loan losses	<u>(7,090,232)</u>	<u>(6,757,515)</u>
Loans receivable, net of allowance for loan	8,290,258	9,856,180
losses Less: current portion of loans receivable	<u>5,205,668</u>	<u>6,423,022</u>
Loans receivable, net of current portion	<u>\$ 3,084,592</u>	<u>\$ 3,433,158</u>

North Dakota Development Fund, Inc.

Notes to Financial Statements

June 30, 2017 and 2016

Note 7 - Allowance for Loan Losses

Changes in the allowance for loan losses as of June 30, 2017 and 2016 are as follows:

	2017	2016
Balance, beginning of year	\$ 6,757,515	\$ 4,910,077
Provision for loan losses	(99,689)	1,722,038
Transfers	810,781	203,446
Loans charged off	(378,375)	(78,046)
Balance, end of year	<u>\$ 7,090,232</u>	<u>\$ 6,757,515</u>

Note 8 - Equipment

A statement of changes in fixed assets for the years ended June 30, 2017 and 2016 is as follows:

	Balance 06/30/16	Additions	Deletions	Balance 06/30/17
Furniture and equipment	\$ 30,479	\$ -	\$ -	\$ 30,479
Computer software	78,188	-	-	78,188
Accumulated depreciation	(97,795)	(2,378)	-	(100,173)
	<u>\$ 10,872</u>	<u>\$ (2,378)</u>	<u>\$ -</u>	<u>\$ 8,494</u>
	Balance 06/30/15	Additions	Deletions	Balance 06/30/16
Furniture and equipment	\$ 30,479	\$ -	\$ -	\$ 30,479
Computer software	78,188	-	-	78,188
Accumulated depreciation	(95,418)	(2,377)	-	(97,795)
	<u>\$ 13,249</u>	<u>\$ (2,377)</u>	<u>\$ -</u>	<u>\$ 10,872</u>

North Dakota Development Fund, Inc.
Notes to Financial Statements
June 30, 2017 and 2016

Note 9 - Commitments and Contingencies

North Dakota Development Fund

The Board of Directors has approved equity investments, loans, grants and guaranty of collections at June 30, 2017 for which funds have not been disbursed or written agreements entered into in the approximate amount of \$4,857,465.

Regional Rural Revolving Loan Fund

The Board of Directors has approved equity investments, loans, and guaranty of collections at June 30, 2017 for which funds have not been disbursed or written agreements entered into in the approximate amount of \$2,186,824.

Child Care Loan Program

The Board of Directors has approved equity investments, loans, and guaranty of collections at June 30, 2017 for which funds have not been disbursed or written agreements entered into in the approximate amount of \$204,999.

Note 10 - Related Party Transactions

The financial statements of the North Dakota Development Fund, Inc. include an equity investments in entities partially owned by members of the Board of Directors. The related party investment balance was \$1,220,492 and \$650,000 as of June 30, 2017 and 2016, respectively. Additionally, the North Dakota Development Fund, Inc. has loans receivables from the same entities with a balance of \$864,000 and \$258,000 as of June 30, 2017 and 2016.

Note 11 - Risk Management

North Dakota Development Fund, Inc. is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The following are funds/pools established by the State for risk management issues:

The 1995 Legislative Session established the Risk Management Fund (RMF), an internal service fund, to provide a self-insurance vehicle for funding the liability exposures of state agencies resulting from the elimination of the state's sovereign immunity. The RMF manages the tort liability of the state, its agencies' employees, and the University System. All state agencies participate in the RMF and their fund contribution was determined using a projected cost allocation approach. The statutory liability of the State is limited to a total of \$250,000 per person and \$1,000,000 per occurrence.

North Dakota Development Fund, Inc.

Notes to Financial Statements

June 30, 2017 and 2016

The Corporation participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund through the policies of the North Dakota Commerce Department. North Dakota Commerce Department pays an annual premium to the Fire and Tornado Fund to cover property damage to personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of one million dollars per occurrence during a twelve-month period. The State Bonding Fund currently provides the Agency with blanket fidelity bond coverage in the amount of \$100,000 per employee. The State Bonding Fund does not currently charge any premium for this coverage.

The Corporation participates in the North Dakota Workforce Safety and Insurance, (WSI) an Enterprise Fund of the State of North Dakota. WSI is a state insurance fund and a "no fault" insurance system covering the State's employers and employees financed by premiums assessed to employers. The premiums are available for the payment of claims to employees injured in the course of employment.

There have been no significant reductions in insurance coverage from the prior year and settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

North Dakota Development Fund, Inc.
Combining Balance Sheets
June 30, 2017 and 2016

	Development Fund	Regional Rural Development Revolving Loan Fund	Child Care Fund	Small Business Technology	2017	2016
Assets						
Current Assets						
Cash and cash equivalents	\$ 8,435,735	\$ 6,346,355	\$ 134,879	\$ 955,996	\$ 15,872,965	\$ 14,373,927
Interest receivable on deposits and loans	30,315	39,456	1,362	-	71,133	65,531
Current portion of loans receivable	4,090,018	858,394	257,256	-	5,205,668	6,423,022
Total current assets	<u>12,556,068</u>	<u>7,244,205</u>	<u>393,497</u>	<u>955,996</u>	<u>21,149,766</u>	<u>20,862,480</u>
Noncurrent Assets						
Loans receivable, net of current portion and allowance	-	2,741,617	342,975	-	3,084,592	3,433,158
Investments, Net	404,244	150,000	-	-	554,244	397,421
Equipment, net	8,494	-	-	-	8,494	10,872
Total noncurrent assets	<u>412,738</u>	<u>2,891,617</u>	<u>342,975</u>	<u>-</u>	<u>3,647,330</u>	<u>3,841,451</u>
Total assets	<u>\$ 12,968,806</u>	<u>\$ 10,135,822</u>	<u>\$ 736,472</u>	<u>\$ 955,996</u>	<u>\$ 24,797,096</u>	<u>\$ 24,703,931</u>
Liabilities and Net Position						
Current Liabilities						
Accrued expenses	\$ 29,299	\$ -	\$ -	\$ -	\$ 29,299	\$ 27,391
Total liabilities	<u>29,299</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,299</u>	<u>27,391</u>
Net Position						
Invested in capital assets, net of related debt	8,494	-	-	-	8,494	10,872
Unrestricted	12,931,013	10,135,822	736,472	955,996	24,759,303	24,665,668
Total net position	<u>12,939,507</u>	<u>10,135,822</u>	<u>736,472</u>	<u>955,996</u>	<u>24,767,797</u>	<u>24,676,540</u>
Total liabilities and net position	<u>\$ 12,968,806</u>	<u>\$ 10,135,822</u>	<u>\$ 736,472</u>	<u>\$ 955,996</u>	<u>\$ 24,797,096</u>	<u>\$ 24,703,931</u>

North Dakota Development Fund, Inc.
Combining Statements of Revenue, Expenses and Changes in Net Position
Years Ended June 30, 2017 and 2016

	Development Fund	Regional Rural Development Revolving Loan Fund	Child Care Fund	Small Business Technology	2017	2016
Operating Revenues						
Interest income on loans	\$ 323,588	\$ 295,187	\$ 24,024	\$ -	\$ 642,799	\$ 590,110
Dividend income	-	-	-	-	-	170,456
Gain on sale of investment	863	-	-	-	863	13,781
Other	62,951	10,878	358	-	74,187	164,131
	<u>387,402</u>	<u>306,065</u>	<u>24,382</u>	<u>-</u>	<u>717,849</u>	<u>938,478</u>
Operating Expenses						
General and administrative	513,886	-	-	-	513,886	507,501
Depreciation expense	2,378	-	-	-	2,378	2,379
Bad debt expense (reserve decrease)	965,167	(904,908)	77,608	-	137,867	2,036,355
	<u>1,481,431</u>	<u>(904,908)</u>	<u>77,608</u>	<u>-</u>	<u>654,131</u>	<u>2,546,235</u>
Operating (Loss) Income	<u>(1,094,029)</u>	<u>1,210,973</u>	<u>(53,226)</u>	<u>-</u>	<u>63,718</u>	<u>(1,607,757)</u>
Nonoperating Revenue (Expense)						
Interest income on deposits and investments	17,234	7,925	108	2,272	27,539	19,993
	<u>17,234</u>	<u>7,925</u>	<u>108</u>	<u>2,272</u>	<u>27,539</u>	<u>19,993</u>
State appropriations released from restriction	-	-	-	-	-	-
Change in Net Position	(1,076,795)	1,218,898	(53,118)	2,272	91,257	(1,587,764)
Net Position, Beginning of Year	14,016,302	8,916,924	789,590	953,724	24,676,540	26,264,304
Net Position, End of Year	<u>\$ 12,939,507</u>	<u>\$ 10,135,822</u>	<u>\$ 736,472</u>	<u>\$ 955,996</u>	<u>\$ 24,767,797</u>	<u>\$ 24,676,540</u>

North Dakota Development Fund, Inc.
Combining Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	Development Fund	Regional Rural Development Revolving Loan Fund	Child Care Fund	Small Business Technology	2017	2016
Operating Activities						
Other receipts	\$ 64,677	\$ 10,878	\$ 358	\$ -	\$ 75,913	\$ 191,928
Payments to suppliers	(511,978)	-	-	-	(511,978)	(504,305)
Net Cash (used for) Provided by Operating Activities	(447,301)	10,878	358	-	(436,065)	(312,377)
Non-Capital Financing Activities						
Investing Activities						
Interest and dividends received	335,349	303,010	24,105	2,272	664,736	753,547
Purchase of equity investments	(1,056,699)	(50,000)	-	-	(1,106,699)	(428,932)
Proceeds from the sale of equity investments	29,637	681,820	-	-	711,457	(221,823)
Disbursements of business loans	(1,823,863)	(745,711)	(366,001)	-	(2,935,575)	(5,238,052)
Principal received on business loans	2,016,635	2,275,401	309,148	-	4,601,184	1,905,441
Net Cash (used for) Provided by Investing Activities	(498,941)	2,464,520	(32,748)	2,272	1,935,103	(3,229,819)
Net Change in Cash and Cash Equivalents	(946,242)	2,475,398	(32,390)	2,272	1,499,038	(3,542,196)
Cash and Cash Equivalents at Beginning of Year	9,381,977	3,870,957	167,269	953,724	14,373,927	17,916,123
Cash and Cash Equivalents at End of Year	\$ 8,435,735	\$ 6,346,355	\$ 134,879	\$ 955,996	\$ 15,872,965	\$ 14,373,927

North Dakota Development Fund, Inc.
Combining Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	Development Fund	Regional Rural Development Revolving Loan Fund	Child Care Fund	Small Business Technology	2017	2016
Reconciliation of Operating Gain (Loss) to Net Cash used in Operating Activities						
Operating gain (loss)	\$ (1,094,029)	\$ 1,210,973	\$ (53,226)	\$ -	\$ 63,718	\$ (1,607,757)
Adjustments to reconcile operating (loss) gain to net cash from operating activities						
Gain on sale of investment	864	-	-	-	864	13,782
Depreciation	2,378	-	-	-	2,378	2,377
Allowance for doubtful loan receivables	154,387	(331,684)	77,608	-	(99,689)	1,722,038
Allowance for realized loss on investments	810,780	(573,224)	-	-	237,556	314,553
Reclassification of interest and dividend income	(323,588)	(295,187)	(24,024)	-	(642,799)	(760,565)
Changes in assets and liabilities						
Accrued expenses	1,907	-	-	-	1,907	3,195
Net Cash (used in) Provided by Operating Activities	<u>\$ (447,301)</u>	<u>\$ 10,878</u>	<u>\$ 358</u>	<u>\$ -</u>	<u>\$ (436,065)</u>	<u>\$ (312,377)</u>
Supplemental Schedule of Noncash Activities						
Loan receivable written off	\$ 191,079	\$ 158,098	\$ 29,198	\$ -	\$ 378,375	\$ 78,046
Equity investments written off	-	-	-	-	-	-



North Dakota Development Fund

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